



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

1200 West Third Street
Little Rock, AR 72201-1904
501-371-2820
FAX 501-371-2629

Bulletin 14-81

July 31, 1981

**INSURANCE DEPARTMENT INTERPRETATIONS/POSITIONS
CONCERNING DISABILITY INSURANCE**

The purpose of this Bulletin is to briefly summarize the Insurance Department's interpretation/position concerning various aspects of disability insurance:

1. HANDICAPPED DEPENDENTS

A. Concerning handicapped dependents, insurers cannot make reference to proof of dependent's incapacity. You may request the insured to submit notice of such incapacity, but you cannot establish a time limit for providing this notice. Refer to Ark. Stat. Ann. § 66-3632 and § 66-3705(8).

B. When a handicapped dependent child reaches the age under the contract that under normal circumstances would cause the dependent to be terminated or converted to an adult premium, the Department's position is that the premium rate for the handicapped dependent shall remain at the child rate.

2. TOTAL DISABILITY

The definition of total disability may not include the wording "any and every duty of his regular occupation." You may specify the "complete inability of the person to perform all of the material duties of his regular occupation." Refer to Arkansas Rule and Regulation 18 (Revised) Section 5I.

**3. INTEGRATION OF SOCIAL SECURITY BENEFITS WITH
DISABILITY INCOME PRODUCTS**

Based upon departmental research of Social Security Benefits, it was decided that these benefits may integrate with individual or group products providing the restrictions are no more than the following:

(A) An insurer may require an individual to provide evidence of the initial denial of Social Security Benefits. An insurer may require an individual insured to reapply for Social Security Benefits immediately following a 12 month period of total disability and once a year thereafter. To require this procedure more often would be considered unreasonable.

(B) Where an insured could have applied for Social Security Benefits, but did not, benefits may be reduced by the amount Social Security would have paid if the individual had applied as long as the insurer gives the insured a 30 day written notice of this intended action. Refer to Ark. Stat. Ann. § 66-3634, § 66-3709, as amended by Act 702 of 1981 and Act 809 of 1981 Section 15.

4. OUTPATIENT SERVICES

Act 445 of 1981 does not mandate new benefits. It states that if any of the listed services are offered on an inpatient basis, then identical coverage must be offered on an outpatient basis. The intent of the Act is to decrease health care costs. Therefore, before additional premium could be charged, the company is required to submit actuarial justification for the Department's review.

W. H. L. Woodyard, III
INSURANCE COMMISSIONER